

Message Text

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12

ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 7342

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C O N F I D E N T I A L SEOUL 8159

EXDIS

CINCPAC FOR AMBASSADOR SNEIDER

E.O. 11652: GDS

TAGS: EGEN, KS

SUBJECT: NEW ECONOMIC MEASURES

1. DEPUTY PRIME MINISTER, NAM, DUCK WOO, ADVISED AID DIRECTOR THIS EVENING THAT NEW ECONOMIC MEASURES WILL BE ANNOUNCED TOMORROW, SATURDAY, DECEMBER 7, FOLLOWING CABINET MEETING SCHEDULED TO BEGIN AT 8:30 A.M. NAM PROVIDED THE FOLLOWING HIGHLIGHTS OF THE ECONOMIC PACKAGE.

A) DEVALUATION OF WON. EXCHANGE RATE TO BE PERMITTED TO FLOAT BETWEEN 480 AND 485.

B) PETROLEUM PRODUCTS ARE TO BE INCREASED BY AN AVERAGE OF 37 PERCENT.

C) RAILROAD FREIGHT RATES TO BE INCREASED 39 PERCENT.

D) ELECTRIC POWER RATES INCREASED 42 PERCENT.

E) BANK RESERVE REQUIREMENT RATIO INCREASED 2 PERCENT.

F) INTEREST ON SAVINGS DEPOSITS OF 3 TO 6 MONTHS DURATION INCREASED FROM 15 TO 18 PERCENT.

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G) LENDING RATE FOR EXPORT CREDITS INCREASED FROM 9 TO 12

PERCENT EXCEPT FOR VALUE ADDED PRODUCT WHICH WILL REMAIN AT
9 PERCENT.

H) IMPORT DUTIES FOR CAPITAL EQUIPMENT FOR EXPORT INDUSTRIES TO
BE GRADUALLY REDUCED TO A CENTRAL RATE OF 20 PERCENT.

2. NAM REVEALED

DEVALUATION WAS DECIDED IN CLOSE CONSULTATION
WITH IMF. HE NOTED THAT ALTHOUGH PRICES WILL NOT BE FROZEN,
THE ROKG WILL EXERCISE "STRICT ADMINISTRATIVE MEASURES" TO
ASSURE ORDERLY "CONTROLLED ADJUSTMENT OF PRICES"
FOLLOWING DEVALUATION.

3. WE WILL SUBMIT DETAILED REPORT AND ANALYSIS OF ECONOMIC
PACKAGE BY SEPTTEL FOLLOWING RELEASE AND TRANSLATION TOMORROW.
ERICSON

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